SaskTel

Financial Statements of

SECURTEK MONITORING SOLUTIONS INC.

December 31, 2007

SecurTek Monitoring Solutions Inc. (SecurTek)
www.securtek.com
SecurTek, a wholly owned subsidiary of SaskTel, provides commercial and residential security monitoring services to customers in Saskatchewan, Alberta, Manitoba, British Columbia, and selectively in Ontario and Nova Scotia, from their state-of-the-art fully redundant monitoring centre in Yorkton, Saskatchewan. Operating a security monitoring centre leverages SaskTel's call centre, network management and process expertise to provide value added services. Through their dealer program, SecurTek partners with 96 independently owned firms including retail, wholesale, and servicing dealers who provide security sales and service expertise to their customers. Fifteen of SecurTek's dealers are Saskatchewan-based firms. SecurTek employs 108 people including 98 at their head office in Yorkton.

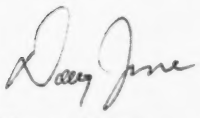
President's Message

SecurTek continues to be a Saskatchewan success story. Today, SecurTek is the largest monitoring company in Saskatchewan serving over 64,000 residential and commercial customers from our base in Yorkton, Saskatchewan. With revenues reaching nearly $17 million for 2007, representing an increase of $887 thousand over 2006, SecurTek's financial position is strong and improving.

Not only does SecurTek provide annual salaries and wages of $3.3 million into the local economy at our head office location, our positive role in the economy reaches beyond Yorkton. Through our established dealer program, we partner with 96 independently owned firms, including retail dealers, wholesale dealers, and servicing dealers. Fifteen of the dealers are Saskatchewan-based firms, and each of them prospers from the relationship, providing income and employment opportunities across the province.

SecurTek is well positioned to thrive in the monitoring industry's competitive market. Our ability to adapt to new technologies, the strength of our dealer network of independent local businesses, the skill and dedication of our employees, and our financial stability as a SaskTel subsidiary all ensure continued success for SecurTek.

I would like to thank our dedicated employees and management team, our authorized dealers, and especially our customers for their contributions in making 2007 a successful year.



Doug Jesse,
CEO, SecurTek Monitoring Solutions

KPMG

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of SecurTek Monitoring Solutions Inc. as at December 31, 2007 and the consolidated statements of operations and comprehensive income, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 6, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Consolidated Statement of Operations and Comprehensive Income

For the year ended December 31, (Thousands of dollars)	2007	2006
Operating revenues	**$16,808**	$15,921
Operating expenses		
Operations	**10,108**	9,841
Depreciation and amortization	**5,525**	5,186
	15,633	15,027
Income from operations	**1,175**	894
Other income	**-**	95
Interest expense	**638**	640
Net income	**537**	349
Other comprehensive income	**-**	-
Comprehensive income	**$537**	$349

See accompanying notes

Consolidated Statement of Deficit

For the year ended December 31, (Thousands of dollars)	2007	2006
Deficit, beginning of year	**$(3,202)**	$(3,551)
Net income	**537**	349
Deficit, end of year	**$(2,665)**	$(3,202)

See accompanying notes

Consolidated Statement of Financial Position

As at December 31, (Thousands of dollars)	2007	2006
Assets		
Current assets		
Cash	$585	$925
Accounts receivable (Note 11a)	1,411	1,323
Current portion of financing leases receivable (Note 5)	500	552
Inventory	28	-
Prepaid expenses	128	136
	2,652	2,936
Financing leases receivable (Note 5)	890	393
Property, plant and equipment (Note 6)	1,949	1,932
Customer accounts (Note 7)	26,378	26,401
	$31,869	$31,662
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 11a)	$867	$832
Services billed in advance	1,103	1,120
Current portion of long-term debt (Note 8)	1,629	-
	3,599	1,952
Long-term debt (Note 8)	12,337	14,773
	15,936	16,725
Shareholder's equity		
Share capital and contributed surplus (Note 9)	18,598	18,139
Deficit	(2,665)	(3,202)
	15,933	14,937
	$31,869	$31,662

See accompanying notes

On behalf of the Board

Robert Watson

Mike Anderson

Consolidated Statement of Cash Flows

For the year ended December 31, (Thousands of dollars)	2007	2006
Operating activities		
Net income	$537	$349
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	5,525	5,186
Gain on disposal of assets	-	(95)
Net change in non-cash working capital (Note 11b)	(90)	(47)
Cash provided by operating activities	5,972	5,393
Investing activities		
Property, plant and equipment expenditures	(525)	(783)
Customer accounts	(4,994)	(3,444)
Proceeds on disposal of assets	-	135
Cash used in investing activities	(5,519)	(4,092)
Financing activities		
Financing leases receivable	(1,110)	(765)
Payments received on financing leases receivable	665	640
Proceeds of long-term debt	369	-
Repayment of long-term debt	(1,176)	(2,350)
Contributed surplus	459	-
Cash used in financing activities	(793)	(2,475)
Decrease in cash	(340)	(1,174)
Cash, beginning of year	925	2,099
Cash, end of year	$585	$925

See accompanying notes

Notes to Consolidated Financial Statements

Note 1 – The Corporation

SecurTek Monitoring Solutions Inc. (the Corporation) is incorporated under the laws of the Province of Saskatchewan and is a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (Holdco) providing real time monitoring solutions in select markets in Canada.

The financial results of the Corporation are included in the consolidated financial statements of Holdco. As a wholly owned subsidiary of Holdco, a Saskatchewan Provincial Crown corporation, the Corporation is not subject to Federal or Provincial income taxes in Canada.

Note 2 – Change in accounting policies

Effective January 1, 2007, the Corporation adopted the accounting recommendations for accounting changes (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506) in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policies only if they result in the financial statements providing reliable and more relevant information and that new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of section 1506 has had no material impact on these consolidated financial statements.

Effective January 1, 2007, the Corporation adopted the accounting recommendations for comprehensive income (CICA Handbook Section 1530), financial instruments - recognition and measurement (CICA Handbook Section 3855), financial instruments – disclosure and presentation (CICA Handbook Section 3861), hedges (CICA Handbook Section 3865) and equity (CICA Handbook Section 3251) in accordance with the transitional provisions of the sections. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, non-financial derivatives and embedded derivatives, and describe when and how hedge accounting may be applied. CICA Handbook Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles in Canada.

Upon adoption of these new standards, the Corporation designated its cash as held-for-trading which is measured at fair value. Unrealized changes in the fair value of financial instruments is included in net income. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable, accrued liabilities and long-term debt are classified as other financial liabilities which are measured at amortized cost using the effective interest method. The adoption of these new standards has had no material impact on these consolidated financial statements.

Derivatives may be embedded in other host instruments. Under the new standards embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings. The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at December 31, 2007, and December 31, 2006, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives.

Notes to Consolidated Financial Statements

Note 2 – Change in accounting policies, continued

The Corporation had no "other comprehensive income or loss" transactions during the period and no opening or closing balances for accumulated other comprehensive income or loss.

Note 3 – Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, SecurTek Partnership No. 8 and SecurTek Partnership No. 9. All significant intercompany transactions and balances have been eliminated.

Property, plant and equipment

Property, plant and equipment is recorded at cost, including materials, services and direct labour. Depreciation and amortization is computed on a straight-line basis over the estimated useful life of the asset.

Asset	Estimated useful life
Plant and equipment	4 to 5 years
Customer premise equipment	10 years
Office furniture, equipment and leaseholds	3 to 5 years

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

Customer accounts

Customer accounts acquired individually, with a group of other assets, or through the Corporation's authorized dealers are recorded at cost. Customer accounts are amortized using the straight line method over 5 or 10 years depending upon the anticipated life of the customer relationship. The Corporation annually reviews the amortization method and useful lives of customer accounts.

Revenue recognition

Revenues from the monitoring of alarm systems are recognized when services are provided. Installation revenue and financing income related to equipment leased to customers under direct financing leases are recorded as unearned financing income and amortized over the leased term. Financing income is calculated based on rates of interest implicit in the lease terms.

Notes to Consolidated Financial Statements

Note 3 – Summary of significant accounting policies, continued

Employee future benefits

The Corporation has defined contribution plans providing pension benefits for its employees. Defined contribution plan costs are recognized as employees render services during the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the recoverability of customer accounts and the underlying provision for bad debt, and the underlying determinations of average customer account life. Significant changes in the assumptions could materially impact the results reported in future periods.

Note 4 – Accounting policy developments

Capital disclosures
The new recommendations of the CICA for capital disclosures (CICA Handbook Section 1535) will become effective for the Corporation's 2008 fiscal year. The new recommendations establish standards for disclosing information about the Corporation's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The Corporation does not expect to be materially affected by the new recommendations.

Financial instruments - disclosures
The new recommendations of the CICA for financial instruments – disclosures (CICA Handbook Section 3862) replace the existing disclosure recommendations of financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new recommendations will apply to the Corporation's 2008 fiscal year and will result in additional disclosures related to financial instruments, and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Financial instruments - presentation
The existing recommendations of the CICA for financial instruments presentation included in financial instruments – presentation and disclosure (CICA Handbook Section 3861) are carried forward, unchanged as financial instruments - presentation (CICA Handbook Section 3863).

Inventories
The new recommendations of the CICA for inventories (CICA Handbook 3031) will become effective for fiscal years beginning on or after January 1, 2008, with early adoption permitted. The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. The Corporation does not expect to be materially affected by the new recommendations.

Notes to Consolidated Financial Statements

Note 4 – Accounting policy developments, continued

International Financial Reporting Standards
The Accounting Standards Board of the CICA has adopted a strategic plan that will result in Canadian generally accepted accounting principles (Canadian GAAP) converging with International Financial Reporting Standards (IFRS). It is anticipated that the transition process will be completed by 2011, at which time Canadian GAAP will be fully converged with IFRS for public accountable enterprises. Throughout the transition period, standards subject to joint-convergence projects may be adopted prior to full convergence. Standards not subject to joint convergence projects will be exposed in an omnibus manner for adoption at the time of convergence. Throughout the process there will be assessments of progress toward convergence, the first of which will be a progress review by the Accounting Standards Board, to be released by March 31, 2008. This review will confirm the implementation date for convergence. Due to the evolving nature of IFRS through convergence projects, it is difficult to assess the impact of convergence, if any, on the Corporation.

Note 5 – Financing leases receivable

Customer financing on direct financing leases is provided for up to a five year period after which time the ownership of the equipment transfers from the Corporation to the customer.

	2007	2006
		(Thousands of dollars)
Financing leases receivable	**$2,004**	$1,173
Less unearned revenue	**614**	228
	1,390	945
Less current portion	**500**	552
	$890	$393

Note 6 – Property, plant and equipment

	Cost	Accumulated depreciation and amortization	Net book value	
			2007	2006
			(Thousands of dollars)	
Plant and equipment	**$4,882**	**$3,846**	**$1,036**	$959
Customer premise equipment	**1,024**	**203**	**821**	837
Office furniture, equipment and leaseholds	**690**	**598**	**92**	136
	$6,596	**$4,647**	**$1,949**	$1,932

Depreciation and amortization for the year totalled $507,920 (2006 - $584,709).

Notes to Consolidated Financial Statements

Note 7 – Customer accounts

	Cost	Accumulated amortization	Net book value	
			2007	2006
			(Thousands of dollars)	
Customer accounts	**$52,520**	**$26,142**	**$26,378**	$26,401

Amortization during the year totalled $5,017,100 (2006 - $4,601,137).

Note 8 – Long-term debt

	2007	2006
	(Thousands of dollars)	
Due to Holdco, unsecured, bearing interest at Holdco's borrowing rate of 3.85% (2006 – 4.2%) with no fixed repayment terms.	**$369**	$14,773
Due to Holdco, secured by all assets, bearing interest at 4.4%; repayable in blended quarterly instalments of $550,184; due March 2015	**13,597**	-
	13,966	14,773
Less current portion	**1,629**	-
	$12,337	$14,773

Approximate principal repayments due in the next five years are as follows:

	(Thousands of dollars)
2008	$1,629
2009	1,702
2010	1,778
2011	1,858
2012	1,941

Notes to Consolidated Financial Statements

Note 9 – Share capital and contributed surplus

	2007	2006
	(Thousands of dollars)	
Share capital		
Authorized - unlimited number of class A common shares		
Issued – 6,150,000 shares	**$6,150**	$6,150
Contributed surplus		
Balance, beginning of year	**11,989**	11,989
Contributions	**459**	-
Balance, end of year	**12,448**	11,989
	$18,598	$18,139

Note 10 – Commitments and contingencies

Commitments

The future minimum payments under the operating leases and contractual obligations for services in each of the next five years are as follows:

	(Thousands of dollars)
2008	$153
2009	153
2010	138
2011	76
2012	33

The above payments include $375,702 for services with related parties.

Contingencies

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2007 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

Notes to Consolidated Financial Statements

Note 11 – Additional financial information

a) Balance sheet

	2007	2006
	(Thousands of dollars)	
Accounts receivable		
Customer accounts receivable	**$1,504**	$1,413
Allowance for doubtful accounts	**(93)**	(90)
	$1,411	$1,323
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	**$612**	$486
Payroll and other employee-related liabilities	**234**	334
Taxes payable	**21**	12
	$867	$832

b) Supplementary cash flow information

	2007	2006
	(Thousands of dollars)	
Net change in non-cash working capital		
Accounts receivable	**$(88)**	$6
Inventory	**(28)**	28
Prepaid expenses	**8**	(58)
Accounts payable and accrued liabilities	**35**	76
Deferred revenue	**(17)**	(99)
	$(90)	$(47)
Interest Paid	**$638**	$641

Note 12 – Financial instruments

The Corporation's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, short-term obligations and long-term debt, which by their nature are subject to risks.

Price risk – currency risk

The Corporation is exposed to currency risk primarily through transactions with foreign suppliers and short-term foreign commitments. At present this risk is minimal and not actively managed. The Corporation does not actively trade derivative financial instruments. At December 31, 2007, there were no derivative financial instruments outstanding.

Price risk – interest rate risk

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on short-term obligations and long-term debt. Interest rate risk on short and long-term liabilities are managed based on the refinancing needs of the Corporation.

Notes to Consolidated Financial Statements

Note 12 – Financial instruments, continued

Price risk – market risk

The Corporation is exposed to minimal market risk related to fair value adjustments due to the short-term nature of financial instruments classified as held-for-trading and measured at fair value.

Credit risk

The Corporation is exposed to credit risk through its accounts receivable. Credit risk related to customer accounts receivable is minimized because of the large and diverse customer base covering many consumer and business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary. Provisions for credit losses are maintained and regularly reviewed by the Corporation.

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities and short-term obligations approximates their fair values due to the short-term maturity of these financial instruments. The carrying value of the Corporation's debt approximates fair value.

Note 13 – Employee benefit plans

The Corporation has two defined contribution pension plans. The total cost for the defined contribution plans is equal to the Corporation's required contributions. The Corporation's 2007 pension cost and employer contributions are $123,864 (2006 - $130,616).

Note 14 – Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and Holdco (collectively referred to as "related parties").

Notes to Consolidated Financial Statements

Note 14 – Related party transactions, continued

Routine operating transactions, other than those noted below, with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at year-end are as follows:

	2007	2006
	(Thousands of dollars)	
Operating revenues	**$296**	$220
Operating expenses	**1,624**	1,946
Accounts payable and accrued liabilities	**8**	10
Accounts receivable	**836**	682

The Corporation participates in customer solutions which may involve delivery of the Corporation's services in conjunction with those of related parties. Participation in these customer solutions is done at no cost to the Corporation as agreed to by the related parties.

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.